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'State locked into Rewald bail fight

By Walter Wright
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Authorities have been ordered to show cause why Ronald Rewald shouldn't be released from prison pending his trial on two counts of theft in the Bishop Baldwin case.

The state Supreme Court said Monday that Edwin Shimoda, administrator of the Oahu Community Corrections Center, has until Oct. 26 to file a memo showing cause why Rewald should not be released, either under supervision or on a "reasonable" bail of \$10,000 to \$20,000.

James Dannenberg, a deputy attorney general who advises prison officials, said last night he expects the actual response to the high court will be made by the Honolulu prosecutor's office.

Rewald is being held in lieu of \$10 million bail set by Circuit Judge Robert Won Bae Chang at the prosecutor's request. Chang is scheduled to hear a motion for reduction of bail Monday, two days before the state memo is due.

Rewald's criminal defense attorney, Sam King Jr., moved the bail question to the Supreme Court Friday by filing a petition for a writ of habeas corpus.

Holy Trinity Catholic Church has offered to house Rewald in a small caretaker's room at the church if he is released pending trial.

In a related development, attorneys in the Bishop Baldwin bankruptcy case traded barbs yesterday over the collapse of negotiations to sell off assets claimed by Rewald.

Rewald wants the Bishop Baldwin bankruptcy trustee to sue the CIA for investors' money lost in the company's collapse, the trustee's attorney said yesterday.

However, James Wagner, attorney for trustee Reynaldo Grauly, said Rewald has not offered any evidence on which to base such a

suit.

Rewald's civil attorney, Robert Smith, yesterday said cryptically that keeping Rewald in jail and penniless is preventing the pursuit of a "way out of all this, the only path which will lead to recovery" of investors' money. He did not elaborate.

Wagner said the only "way out" which Smith has suggested was indeed way out: "He wants the trustee to sue the CIA" on the theory that Rewald's connection with the intelligence agency makes the CIA liable for the losses.

Rewald's company provided mail, phone and telex covers for the CIA, according to the trustee's office. Federal Judge Martin Pence, who sealed several documents from company files at the CIA's request, said the documents showed Rewald had an inflated view of his own importance as an undisclosed "associate" of members and former members of the intelligence community.

Smith accused the bankruptcy trustee of "coercion" in the negotiations.

Wagner fired the same accusation back at Rewald and said he is gearing up for a court fight now that negotiations have halted.

The original proposal was for Rewald to allow the sale of assets — with rights to the proceeds to be determined later — in return for the trustee's payment of premiums on \$6 million worth of Rewald life insurance.

Rewald then asked for \$50,000 in cash for his wife and five children, deductible from any amount later determined to be Rewald's.

Grauly said he'd pay \$50,000 if Rewald would waive all claims to the assets involved. Rewald countered that he'd do that for \$300,000. That's when the deal fell through.

Yesterday, Smith said the trustee was trying to "force Mr. Rewald into signing over everything without a trial, using Mr. Rewald's concern for his family and his inability to pay the life insurance premiums as a lever. This is coercion . . ."

Wagner said it was Rewald who was trying to coerce the bankruptcy trustee, and that Rewald's constant refusal to cooperate was the principal cause of most of the \$90,000 in legal fees run up already.

Smith questioned the value of the bankruptcy proceeding and the \$9,000 a month being paid to administrative controller Thomas Hayes to handle the case.

Wagner said the bankruptcy has protected assets which the trustee believes belong to the company, and has prevented the firm's investment operation from continuing.

Smith said all the trustee has to show for his expenses is an estate worth no more than \$2 million. What, Smith demanded, happened to the \$12 million which Hayes said flowed through the company?

Wagner said the money is gone largely because Rewald spent it.



Robert Smith
Accuses trustee of "coercion"